

CASE STUDY OF COCA COLA'S EKOCOOL SOLAR COOLER; A FRUGAL INNOVATION SERVING AS A SOURCE OF SUSTAINABLE COMPETITIVE ADVANTAGE IN RURAL MARKETS OF NORTHERN INDIA

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ABSTARCT

Business sustainability has now become a Buzz word in the corporate. This is so because Sustainability not only means sustainable market place but also means sustainable development both for business and the environment. The following case tries to evaluate how the introduction of a frugal, reverse innovation concept of solar based, cooler, eKOCool, by Coca Cola India, in rural markets of Northern India and its exclusive distribution to the women retailers in these areas, under its 5by 20 women empowerment program, turned out to be a sustainable business opportunity not only for the global giant but also the members of its value chain, especially the retailers in rural India. This not only helped the MNC to increase their presence in the vast rural markets of India but also gave them a five times increase in sales in first year of its launch just because it was an innovation based on local insights and ground realities. To add to the icing on the cake, the product has opened door to coca cola's entry into some of those markets both national and international, where it was not present earlier.

Key Words: eKOCool, 5by20 program, Reverse innovation, Value innovation, frugal innovation, solar cooler, business sustainability, Value chain

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INTRODUCTION

Coca Cola was one of the leading brands in India till 1977, when it left the Indian soil because of FERA regulations. It re-entered India in 1993, by gaining the ownership of the nation's top soft-drink brands and bottling network. Eternally, marketing has been the strength of Coke. Be it the unique advertising or its distribution. Internationally Coke has been a market leader in the area of Soft-drinks. In the Indian context, Coke has connected with the Indian audience, in every possible way since its very inception. Right from acquiring Thums-Up, the most trusted brand in India to its strong distribution network to rural India, Indianising the bottle of Coke has been the utmost priority of Coca Cola. Coca Cola has always taken a proactive stance as far as building & sustaining business markets are concerned. They strongly believe in the concept of sustainable development for business, markets, society, world & environment as a whole. Mr. Venkatesh Kini Sr. VP – Operations, Coca-Cola India said, “We believe that energy efficiency lies at the core of business sustainability today. There is need for a concerted effort from all sections of society, including business and government to tackle the growing challenges of energy conservation. Our nationwide celebrations on the occasion of World Environment Day are a step forward on this path. We believe that the energy crisis being faced globally today is an opportunity for us to improve our energy usage and work collectively towards sustainability in this regard. We will continue to innovate and work towards using energy more effectively and efficiently across our operations.”

The Indian arm of the Atlanta based beverage giant, on 5th June 2013, marked the celebrations of world Environment day by coming together with its bottling partners to drive energy efficiency across its operations in the country, with a focus on the need for renewable energy to drive business sustainability. The event was marked by first-ever installation of solar micro-grid in a rural school that was revitalized under the company's, ‘The coca-cola NDTV support My school program’. But the star of the show was an indigenous innovation from two coca cola engineers, ‘eKOCool’, a solar cooler provided free of cost (in the pilot phase) to the women retailers in villages of U.P. These are the villages that are either off the power grid or face severe shortage of electricity supply.

Care, Concern for society and environment & sustainability; is at the core of Coca Cola's Business Philosophy

The Coca-Cola Company has always placed high value on good citizenship. At the heart of business is a mission statement called the Coca-Cola Promise — “The Coca-Cola Company exists to benefit and refresh everyone that it touches.” This basic proposition means – that the company’s business should refresh the markets, protect, preserve and enhance the environment and strengthen the community. The company believes that to sustain the business in long run, it has to be environmentally conscious. The concept of business sustainability is present at all levels right for top to bottom within the organization and is also promoted along the value chain of the company. As a part of this ongoing campaign which the company calls Golden Triangle and which forms the basis of company’s sustainability. The Sustainability Framework – which they call “Me, We, World” – is company’s shared vision for how all can work together to create social value and make a positive difference for the consumers and communities we serve. **Me** - Together we can promote well-being for the people who enjoy our brands every day. **We** - Together we can create a better future for local communities where our operations help raise the standard of living. **World** - Together we can create a better future for the finite natural resources that we all share. In short the concept of the golden triangle involves the Government, civil society and the company making it a win-win situation for all stakeholders.



Fig 1 The golden triangle, sustainability framework of Coca Cola (source: company website)

COCA COLA INDIA'S MARKET FOCUS

The philosophy of coca cola India and its major bottling partner, Hindustan coca cola beverages was very clear, they had their eyes focused on the rural markets in India, the place where 70% of the Indian market resides. Development of rural markets was the prime focus of not only the marketing department of the company but also the CSR wing of the company. Coca cola India has

initiated many commendable initiatives for the betterment of rural Indians, from providing training to Mango plantation farmers on best farming practices, to imparting basic business skills to women retailers in rural areas, Coca-Cola India is focusing on building sustainable communities. For a long time now, coca cola has been actively involved in social welfare and other development programs for the benefit of the global society. Majority of its subsidiaries have been involved in some or the other social activity in the country of its operations. A major part of this is developing environment friendly products either by recycling, reuse or reduce of the waste produced by the company and its bottling plants around the world.

THE PROBLEM

In May 2009, Mr. Atul Singh, president & CEO, Coca cola India and South-west Asia was on a visit to a rural market in UP. There he was served a warm coca cola. He realized that while the company's promotional campaign boosts off, "Thanda matlab coca cola", many outlets stocking the company's products did not have any chilling equipment like coolers or even if they did have, regular load sheds for hours together would not let the cold drink bottles get cool, let alone chilled as promised in the advertising campaigns. The retailers in these areas were using ice for cooling the beverage before it was being served to the customers. This was proving to be cost to the retailer who charged it in form of an additional rupee from the customer, many of whom were reluctant to pay it. He understood that this will completely dilute the positioning that the company wanted to achieve in the minds of thousands of rural customers of India, many of whom had never even tasted a coca cola. Mr. Singh was aware that if the current scenario was not resolved, the company would not be able to achieve its target revenue and desired market share in these nascent markets. Further he realized that another major issue that company had to face was that 80,000 Indian villages had no electricity supply and out of these 25,000 had a little chance of being connected to the power grid in the conventional way. Mr. Singh had two choices; either to go for lateral thinking and work on the problem that was massive, if not impossible to resolve or to take the conventional way of focusing on the limited, highly competitive and somewhat stagnating urban markets of India. He decided to go for the former. Mr. Singh took this as a challenge not only because they had no choice, which they did have, but because many subsidiaries of the company were facing similar problem in other developing nations across the world. Further it was felt that a

safe, secure and efficient alternative energy source was indeed required to overcome the problem at hand and that too in lines with company's commitment towards safe environmental practices. He deployed two young coke engineers, Mr. Chandan Samanta and Mr. Sunil Gulati (who is now the GM Technical) to work upon a low cost solution which help resolve the problem of dependence on conventional sources of power but can also serve as tool to enhance companies presence in markets where it had no presence earlier. Mr. Singh knew that R& D departments of many of coke's subsidiaries were already working on such projects for a long time but nothing sustainable could be materialized so far. The team of Mr. Gulati and Mr. Samantha started working on the project along with Western Refrigeration which is a Mumbai based firm . By February 2010, the prototype was ready . The trials were conducted over March & July 2010.

THE SOLUTION



Fig 2, Solar cooler, eKOCool a frugal innovation based on the needs of retailers in rural India.

(image source: http://www.seventhinc.com/ekocool_branding.html)

The result of the strenuous efforts of the team deployed by Mr. Singh was a solar based, chest cooler that had a capacity to store 48, 300 ml bottles (the size popular in rural areas). Small solar panels (about 2.5 sq.m.) installed on the rooftops of the shops turn solar energy into direct current, which in turn powers the coolers. A direct current compressor motor, combined with an evaporation set-up, together cool the chest cooler. The power generated through the solar panel runs the refrigeration cycle. The direct current technology makes the solar coolers highly efficient in terms of the amount of power that is used in cooling. The eKOCool solar coolers start working with the first ray of sunshine at 7 in the morning. This means that by 11 AM, when the shops open,

the products have been cooled and are ready to serve. In words of Mrs. Preeti Gupta, the first recipient of the solar cooler, free of cost and any installation charges, “Coca-Cola has made a huge contribution to us,” says the mother of three, noting that up to one-third of her store’s daily revenue comes from Coca-Cola sales. The ‘eKOCool’ project is part of Coca-Cola’s 5by20 initiative to empower 5 million women entrepreneurs across its global value chain by 2020. In addition to Coca-Cola and other beverages, they sell grains, snacks and other household goods. “The most important moment in my life was when I started my own shop,” says Gupta, who invests her earnings in health care for her family and her kids education. Like many women in her village – where dusty roads are filled with children playing, horses pulling bullock carts and motorbikes buzzing by – Gupta was expected to stay at home and care for her family, but she was determined to give her children a chance at a better life. She and her husband borrowed money from relatives and a local bank, and even mortgaged their personal belongings, to open a small store inside their home. Roop Devi, another female retailer from Barielly, U.P who also received a free eKOCool cooler, says, “Ice-cold drinks is still a bit of a novelty in ‘of-the-grid’ communities, that too without ice and electricity. **The value addition-** The coolers are provided with, charging ports for charging mobile phones and a solar lantern useful for lighting up the shops at night. This helps the retailer to remain open for longer hours and get more customer footfall attracted by the lure of charging their mobile phones at the ports given in the chest cooler. This further helps to increase the sales of the retailer.

WHY FRUGAL INNOVATIONS?

While discussing the reasons for working on frugal or reverse innovations, Mr. Singh pointed out that, “Modern day companies, must first look at what consumers want and then work backwards, if they have, to run a sustainable business.” According to Prof. Vijay Govindranjan, author of Best Seller, ‘**Reverse Innovation**’, “It is little surprise that coca-cola has innovated a solar-powered cooling system for rural markets. Eventually the rich world will adopt this and other renewable energy innovations-when it is time to replace existing assets. eKOCool is a classic reverse innovation.” By giving it to the women retailers in these rural areas, the company is enabling economic empowerment and also utilizing solar energy. This economic empowerment helps the women retailers to earn a livelihood for self and family and provide financial support to her husband. She has a twin advantage because she incurs no extra cost of buying ice or the recurring

cost of electricity bill, which in turn adds to the profit of retailer. As a pilot project, 20 such coolers were placed in rural areas near Agra (U.P), free of cost. This drive helped the company in reducing their carbon footprints and quickly became a lions share of their CSR activities.

This product has indeed helped coca cola to establish a strong positive image among the villages of Northern India. This CSR initiative will surely help the firm to pry open the vast rural market which could not be captured in any way by traditional marketing methods. Since eKOCool is an innovation based on local insights and ground realities its acceptability so far is good and is likely to be high in near future. This is evident from the fact that company is now working upon the version 2 of this product that can cool 100 bottles. The current version stores 48 bottles of 300ml each and this was designed keeping in mind the rural demand of 6-12 bottles per day but now the women retailers say that this capacity is not enough as they are experiencing 5 times increase in their sales after the solar cooler was installed in their shops.

THE MARKETING AND SUSTAINABILITY ASPECT

The model of solar cooler has turned out to be sustainable as it is increasing coke's presence considerably in rural areas. So far company has already installed 1000 solar coolers in rural India. According to Mr. Asim Parekh, V.P. Technical, Coca-Cola India, "the model is helping create a market in areas where coke has not been present at all". Women retailers also point out that it has brought many first time customers who never tasted coke before. Other subsidiaries of Coca Cola in S. Africa and turkey have already bought 400 solar coolers from the Indian subsidiary. The additional cost due to solar panels has been offset by increase in sales. Coca cola India is convinced that the cost of developing and installing coolers, free of cost in pilot phase will be offset by the amount of increased sales from existing and new businesses.

According to Mr. Atul Singh, President and CEO, Coca cola India and south west Asia, says, "My view is this is just good business. Operating in a sustainable manner, building communities is what we have been doing. People call it CSR, we have just done it as good business," he said. "The company has had 26 quarters of growth with 19 quarters witnessing double-digit growth." Singh explains that if communities are not sustainable then "our business will not be sustainable."

A source of competitive advantage

A value chain is a chain of activities for a firm operating in a specific industry. Reveals opportunities to add value by improving cost, responsiveness to customers, efficiency, quality, reliability and integrity. It is used to identify sources of competitive advantage, specifically in terms of: Opportunities to secure cost advantages & Opportunities to create product/service differentiation. Includes the value-creating activities of all industry participants. In this case Coca Cola India has achieved all possible benefits that it can from using this concept in the Indian rural markets. A sustainable competitive advantage is the key to success for any organization. The source of competitive advantage can be collectively or independently achieved by adopting three stances. Coca Cola India has been able to achieve a strong base in terms of superior ;market position, knowledge and resource base by introducing this model of solar cooler.

A superior market position (first mover advantage by designing and offering an environmentally safe and cost effective solution to the major problem of electricity crisis faced by rural retailers)

A superior knowledge and/or relationship base(by understanding the ground realities the technical team designed a product that provides additional benefits apart from giving the functional benefits, a source of value addition to the value chain members as well as the final customer)

A superior resource base (the initial cost incurred in R&D can be recovered in form of additional sales revenue and ability to enter new markets along with the development of strong & reliable distribution network in rural India)

Fig 3, Launching eKOCool in rural markets of India has proved as a source of competitive advantage for Coca Cola India (drawn for purpose of this case study)

THE ROAD AHEAD

eKOCool is a great idea but the price tag of Rs 45,000 may prove to be a dampener because it is a steep price for a retailer in rural areas. Sustainability of this experiment in long run is also questionable because Coca Cola had come up with 'Eutectic' in 2007, for markets that get 8-10 hours of power/day and initial response for it, too was very promising but by 2011 only 17,000 coolers could be sold because of the high price. Coca Cola is well aware of the problem but according to the executives of the company high price of the product is not something that they are concerned with right now because this can be worked out, but the major challenge company is facing is that of promoting such energy efficient products. Company says, its too early to comment about the scope of eKOCool at present because its still in the launch phase, but surely they are keeping there fingers crossed and seem very optimistic about their product. Recently company has added another feather to its solar cap by announcing the dedication of 100 KW rooftop solar plant at its Wada bottling plant in Palghar district of Maharashtra

SUGESSTIONS & RECCOMENDATIONS

eKOCool from coca cola India is indeed an innovation to vouch for. As far as Indian markets is concerned, they can take the support of government in promoting the concept of solar based coolers. Government aid or subsidies such as viability Gap Funds (VGF) can be arranged for the retailers interested in installing the product. Prime Minister Mr. Narender Modi has recently announced government's ambitious target of generating 100 gigawatts of solar power by 2022 and investing Rs. 175 crores in such projects. Further rural financial Institution offer micro credits to rural retailers that can be availed, for buying such products. EMI schemes for payment of the price of the cooler in easy installments can also be worked upon. Another good option can be to enter into agreements like exclusive selling of coca cola range of products by the retailers ,contract farming with women retailers who also have farmlands that can provide for raw materials required by the company, in exchange for the solar coolers. Company can also re-work upon the price of the price of its coming version of eKOCool.

CONCLUSION

eKOCool will surely give the first mover advantage and a competitive edge to Coca Cola India. The company will reap the benefits of this innovation in long run. The basic strategy adopted by

the company in promoting their solar cooler, is that of differentiation and low cost. The objective of this strategy is to develop offerings that don't follow the industry's traditional logic, but still work out with success. These distinctions are not random; rather they follow a clear pattern. Some elements are eliminated or reduced (as an effect, company's cost structure is reduced) while other elements are raised or created thereby raising significantly the value that buyers (retailers and consumers in this case) receive. Coca Cola has designed this cooler to give a low cost option to its distribution channel members (retailers) and in turn has created a new demand in rural markets and also increased its sales in already catered markets. This simultaneous pursuit of differentiation and low cost is called **Value Innovation-the cornerstone of Blue ocean strategy**. This move has surely created "blue oceans" of uncontested market space ripe for growth, in form of rural markets. Although companies like Coca Cola are taking commendable initiatives towards a greener planet by opting for renewable sources like, solar energy. Its time now that We, the society, the government and the world as a whole should take steps to support and promote such initiatives. The corporate world has already welcomed this initiative and companies like Amul and Mother Dairy are working on such projects. Its time now to get the markets ready for these type of products.

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